

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 3237 – HB 3475

March 19, 2012

SUMMARY OF AMENDMENT (014208): Deems a facility, which extracts, purifies, dehydrates, or treats landfill methane to render it eligible for transportation by natural gas pipelines, to have a value not to exceed one-third of its total installed costs or other value for green energy production facilities for the purposes of assessing value for ad valorem taxes.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Revenue – Exceeds \$67,400

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease Local Revenue – Exceeds \$28,200

Assumptions applied to amendment:

- Based on information provided by the Comptroller of the Treasury, the provisions of the bill as amended will only affect the value of the improvement and any personal property used to treat landfill methane and will not affect the land value or the pipeline of the regulated pipeline company.
- Based on information provided by the Comptroller, one facility in Hawkins County is treating landfill methane to render it quality eligible for transport by a natural gas pipeline.
- The classification rate for tangible personal property is 30 percent of \$2.3450 per \$100 of assessed value.
- According to the Comptroller, the estimated appraised value for the tangible personal property of the Hawkins County facility is \$1,500,000. Under the provisions of the bill as amended, appraised value would be one-third or \$495,000 ($\$1,500,000 \times 0.33$).
- Under current law, the amount of tax due is \$10,553 [$(\$1,500,000 / \$100) \times 30.0\% \times \2.345].
- Under the bill as amended, the amount of tax due will be \$3,482 [$(\$495,000 / \$100) \times 30.0\% \times \2.345].
- The recurring decrease in local revenue is estimated to be \$7,071 ($\$10,553 - \$3,482$).
- Based on information provided by the Comptroller's Office for similar legislation in 2011, there are approximately four facilities that could be affected by this proposed

SB 3237 – HB 3475

legislation. Three of the four facilities are owned by a local government and private entities operating on these landfills have tangible personal property subject to taxation.

- The total recurring decrease in local revenue for the Hawkins County facility is estimated to be \$7,071. If assessed values for three additional facilities were reduced, it is estimated that the amount of local revenue loss would be similar to the decrease realized by Hawkins County.
- The total recurring decrease in local revenue for four facilities statewide is estimated to exceed \$28,284 (\$7,071 x 4 facilities).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

/kml